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TAGS: PGOV PREL IZ

SUBJECT: DPM SALEH: DECENTRALIZE AUTHORITY TO THE PROVINCES, POLITICAL FIXES NEEDED, SECURITY AND ECONOMY IMPROVING

Classified By: Charge d'Affaires Patricia A. Butenis for reasons 1.4 (b) and (d).

¶1. (C) Summary. DPM Barham Saleh told GOVDEL (Don Carcieri, R-RI; Bill Ritter, D-CO; and Mike Rounds, R-SD) on December 11 the central GOI needs to devolve more authority to the provinces. Political fixes are needed, he said, and called for more compromises between the party blocs as well as power-sharing. He called the Strategic Partnership Declaration (aka Declaration of Principles) an important step for Iraq's long-term relationship with the U.S. and important to maintaining the benefits brought about by the surge. In addition to the Council of Ministers (CoM) passing the 2008 budget to the Council of Representatives (CoR), Saleh highlighted the improvements in provincial budget execution and the resulting increase of funds allocated for provincial spending from \$2 billion in 2007 to \$3.3 billion in 2008. End summary.

DECENTRALIZE AUTHORITY TO THE PROVINCES

¶2. (C) DPM Saleh told GOVDEL more power needs to be transferred to the provinces in Iraq. He stressed provincial leadership will respond more immediately to local service delivery needs. As an example, he said, "Why should I be involved in telling the police what to do in Anbar Province?"

He also raised the Public Distribution System as another service the central GOI is not performing well which the provinces could execute more efficiently. "There are a wide range of issues," he said, "that cannot be dealt with easily by the central GOI." Saleh acknowledged the central GOI is weak and unable to regulate the provinces effectively. He pointed to the important role of the Council of Representatives (CoR) in pressuring the GOI towards more decentralization. At the same time, he highlighted the challenges in wrestling with these tough questions of central vs. provincial authority in the midst of the current political and security environment.

POLITICAL FIXES NEEDED

¶3. (C) Saleh said the GOI needs to "seize" upon the opportunity to reach more compromises on legislation, power-sharing, and other difficult issues. He noted, "there is growing sentiment that we need to do better and bring more competency to the delivery of services." He added, the GOI can no longer afford to function in the same way. He referenced meetings during the past week with key GOI political leaders and commented that there is an agreement that something needs to be done "fast" (over the next three months). Towards this end, he said a power-sharing pact is needed. He pressed the USG to play an important role in this process.

¶14. (C) DPM Saleh highlighted the security improvements since the surge, but added, "what we have is a cease fire." To temper expectations, he noted, Iraq still has a long ways to go. He talked about the success of the surge and movement in Anbar to drive out al-Qaeda, as well as the militias driven out of some Baghdad neighborhoods. Saleh acknowledged American pressure to reduce the number of its troops and mode of operations, and noted Iraq will have to start doing the "heavy lifting." He lauded the recent agreement of the Strategic Partnership Declaration (aka Declaration of Principles) as a good step towards building a long-term relationship.

ECONOMIC IMPROVEMENTS

¶15. (C) Saleh discussed the 2008 budget currently being debated in the CoR. He said there is a \$48 billion overall budget, with \$19 billion of this amount devoted to capital expenditures, taking into account 2007 capital investment rollover. He cited positive trends such as job creation and other economic indicators. Regarding resources for the provinces, Saleh talked about the difficulty in disbursing money from the budget in 2006 due to security problems. He noted recent improvements in provincial budget execution resulted in the GOI increasing provincial budget allocations from \$2 billion in 2007 to \$3.3 billion in 2008. These funds, he said, come without GOI strings or interference. Streamlining contracting procedures is making it easier to efficiently deliver services. However, corruption, ministerial capacity, and oversized bureaucracies, he stressed, still limit economic progress.

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¶16. (U) GOVDEL Carcieri did not have the opportunity to clear this cable before departure.

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